

G. R. S. 58]

Previous references.

1923-24

82

File No. 162-20

Serial Nos. 166-718

Later references.

82 121-24

(183)

G.R. 47-25-7 & 14.

1. According

unnecessary

We have no fit

the use of the int.

that may be

break in

18-19-19

GENERAL AND REVENUE SECRETARIAT.

P-32-E

Serial Nos. (165-7 & 8)

Part B for

Preserve
5.11.23

SUBJECT

Question of improving the System of investment
of annual interest on the Railway Sterling Loan
Sinking Fund.

Sl. 8. To be completed

no of 1683 S. 19.9.24.

states that there is no need for the conversion
of the Rupee Securities of the Sterling Loan
Sinking Fund into Sterling Securities
and that the question of Exchange of 5% National
war bonds may be considered when these
bonds are redeemed in 1928.

B170

Subject

G. R. S. III-2]

General and Revenue
Secretariat.

GJ

File No.

162

of 19 23

Fl. U. O.

Serial
No.

1

From Comptroller, no 2424 & 2/2/24
 Forward copy of letter of 17.1.24
 received from Controller of Currency,
 Calcutta, communicating the views of
 the Secretary of State & Govt. of India
 in regard to the proposals contained in
 this office letter no. 2424 & 15.3.23.
 on the subject of Securities in which the
 interest realized from the Mysore Railway
 Sterling Loan may be invested etc.
 1) Submitted with previous references.

M. S.
 9/2

F. T. P.

Subject

G. R. S. III-2]

General and Revenue
Secretariat.

File No.

of 1923

Fl. U. O.

Serial
No.

2) The system of investment of the annual interest on the Railway Sterling Loan Sinking Fund required to be improved and certain suggestions were accordingly made to the Controller of the Currency and the India Office. Their reply is now come and action has now to be taken on the points raised in it.

1. We did not propose that the interest yield on the Rupee part of the investment held in India should, as a matter of course, be remitted to London for investment in the debentures of the Loan itself. What we proposed was that the interest yield on the Sterling part of the investment held by the Secretary of State may be invested in the debentures and that if debentures were ^{on} offer, we might also arrange for investing in them, the interest yield on the Rupee part of the investment held in India. For the future, the arrangement in respect of this point may be as follows:-

The Sterling part of the investment is comparatively small and the annual interest yield is about £ 4,000. This amount may be invested in our own debentures if they can be had as soon as the interest is available for investment. If they are not ~~so~~ readily available ^{in the market}, the India Office may be authorised to apply to Messrs Coutts & Co., who hold on our behalf about £ 350,000 of debentures and sales may

G. R. S. III-2]

General and Revenue
Secretariat.

47

File No.

162
162

of 1923

Serial
No.

may be made out of this holding. The sale-proceeds would belong to our general holding of securities kept against our liabilities and the question of reinvesting such proceeds in some other securities may be considered as part of our general investment operations each year.

The investment of the interest yield of the Rupee part of the Sinking Fund may be made in India in long-term terminable Rupee securities. At the same time it is desirable to have a general arrangement for buying our own debentures and with this object we may place a small order with Messrs Coutts and Co., to buy these ^{Debentures} ~~bonds~~ if they are on offer for sale in the London market. The amount of this order may be limited to the interest yield of the Sinking Fund for a year. This is about Rs.5 lakhs. Messrs Coutts & Co. may be authorised to buy, up to this limit, our debentures if they can be had and we may transfer these debentures to the Sinking Fund for investment of its interest when such an ~~ag~~ arrangement is found convenient by us.

The question of the transfer of the whole of the Sinking Fund to us is under discussion and even if we get back this fund, it will be necessary to build up another fund and the debentures purchased could be transferred to the new fund.

Serial
No.

2. The India Office misled us into thinking that our debentures were largely held in India. This information surprised us and we made an enquiry as to whether it was really so. The India Office has now confessed its mistake that the information given by it was wrong.

3. In the case of transfer of debentures held by us for investment of the interest yield of the Sinking Fund, we had proposed to simplify the transaction by making the rate of sale and the rate of exchange uniform. The India Office ^{do not} approve of this arrangement. We need not press for it as, under the arrangement suggested above, it is proposed to make ^{arrangement for} separate investment of the interest yield of the Rupee part of the fund in India.

4 The India Office has suggested investment in Sterling Securities other than our own debentures. There is no need for such investment and this part of the proposal also need not be pursued.

5—Somehow the India Office have come to know that we have purchased a fairly large quantity of our own debentures and they propose that we may transfer it to the Sinking Fund and take instead, the Rupee securities held now as part of the Fund. It is not necessary to consider this proposal now, especially in view of our attempts to take over

Serial
No.

over the whole fund for our capital purposes. Besides, it is not our intention to sell debentures to the Sinking Fund with the object of cancelling the debt. We may find it necessary to borrow on these debentures and as they are Stock ~~secured~~ guaranteed by the Secretary of State, they form a very good security on which to borrow whether in India or in London.

6) We had suggested that for preventing delay in the investment of interest realised on the fund the $3\frac{1}{2}$ p.c. securities may all be converted into the stock of one particular issue. The controller of currency has not expressed any opinion on this point & the Comptroller will be asked to ~~propose~~ pursue this point. Even when we get these securities it is best to hold them ~~to hold them~~ in the form of stock certificates as we do not intend to sell this holding.

7) I agree with the ^{Minister} ~~Deputy~~ action may be taken accordingly.

as at A
Please inform
Comptroller accordingly
26-2-24

LEADING OFFICE.	
Recd. on	16/2 1924
Reg. No.	5918

2548
in

6)

42 File No. 162 of 1923.

Serial
No.

9)

Draft Submitted for approval.

10) Please prepare a fair draft
as revised by me
6/3/24

11)

Submitted with a typed draft.

12) In para 4 of the Commⁿ of
6/3/23-3-23 to the Compt^r it has been
stated that the purchase of the loan
debentures may be made if the
purchase yields a return of about
6 p.c. As the current ^{market} prices for
the debentures are not likely to
be less than 75, a rate of 76
has been suggested for purchase of fresh
stock by means of the 70. The yield
according to this rate will be less
than 6 p.c. As the purchase of these
debentures is considered desirable &
the difference in yield is not much
between the according to the proposed rate
& the current ~~return~~ rates of interest
in the money market and as in the
case of the debentures there is two
additional advantages of the premium
^{obtainable} realisable on the debentures at the
time of their realisation, the yield at
76 p.c. ~~is~~ is not quite unsatisfactory =
draft prepared is for consideration
H. Singh) 13) Price only 7.3.24
8/3/24

Serial
No.

2 To Campbell, no 3425 of 10.3.24
Communicates the views of Govt. in
regard to the points raised by the Secretary
of State for India in connection with the
investment of the interest yield from the
Securities, Sterling, rupee held in the Mysore
Railway Debenture Loan Sinking Fund etc.

3 From Campbell, no 3425 of 27.3.24
States that the Controller of Currency
has been addressed in the matter &
the views of the Govt. of India & the
Secretary of State will be intimated for
the information of Govt. on receipt of
the same from Controller.

14) Submitted with reference to H. Levy's note
of 16.2.24 & 8.3.24.

15) Seen the receipt of Campbell's
2/4 further communication in the matter
may be awaited

26/4/24

16) Draft to the Comptroller put up

17) not necessary
26/5

4 From Campbell, no 6008 of 19.5.24
In continuation of pt. 3 forward the
copy

Serial
No.

Copy of letter of 15.4.24 received from
Messrs. Cantt. Seco, London notifying his
instructions in regard to the transfer
to the India Office of the Madras &
Southern Maharettah Railway Sterling
debentures in their custody in
regard to the purchase of the said
debentures to the extent of 5 lakhs of
rupees per annum in the London market.

18) Submitted with reference to para 15 &
16 by Dewan's orders in para 7 -

28/5. Cantt. may be awarded 7 further
30/5

5 From Comptroller, No. 4180 of 6.6.24
Forwards copy of letter of 28.5.24 from
the Controller of Currency, Calcutta together
with a copy of his reply regarding the transfer
of Madras & Southern Maharettah Railway Sterling
Debenture Stock to the Secretary of State for
India -

20) Submitted with reference to para 19.

21) Reference is invited to para 29
11/6 The Controller of the Currency's letter of 28
May 1924 enclosed in Comptroller's letter under
disposal. It is not understood why the
principle of the Rupee investment is now mind
This has been fully discussed in the past
and practically the whole of the sinking
Fund investment is now held -

Serial
No.

Rupre Securities. Whether the investment should be in Rupre or Sterling is a matter which should be entirely in our discretion and it is necessary to point out this to the Controller of the Currency.

(H. D. S. J.)

15/6/23

22) I agree. But there is no use now carrying on this controversy. We cannot accept the Cr of India View. As there will ^{be} no money for investment for a long no of years - the entire annual income from the sinking fund - having been agreed to be made over to us - the question of investment in rupre or Sterling Securities does not arise at all. We

may wait until we hear finally from the Cr in reply to our communication handing over interest on the Sinking Fund dues for sending a reply to the present ref from the Controller of the Currency.

23) The ~~question~~ ^{order} of transfer of our debentures with loans to the Secy of State also requires to be countermanded when the Sinking Fund case is finally

24/11/23
H. D. S. J.

92 File No. 162 of 1925.

Serial
No.

7

from the Comptroller
no 779 S.L. dated 5th Sept 1924
200 Copy of letter no Sec 950/102-200
25 $\frac{8}{24}$ from the Controller of Currency
regarding the question of replacement
of sterling Securities other than the
mts. m Ry deb stock - and the Rupee
Securities held in the Ry sinking fund
by the deb stock itself and requests
orders of govt on the points raised by him
25 The point raised for consideration
in the Controller's letter is

The proposal to sell some of the
Securities held in the ^{sinking} fund and to take
over the debenture stock itself from
the cash realised thereby or to
exchange some of the ^{sterling} securities
themselves for the deb stock on a
price basis to be agreed to by the govt of
India and the State Bankers in London

26 The proposal to transfer the Rupee
Securities in exchange for the deb. stock
was once before urged by the Controller
and was negatived by the Mysore govt
in letter no 5063 d 10 $\frac{3}{24}$. 7th Aug 2
and the same point is urged for recon-
sideration

27 Please put up the copy of
the Comptroller's previous
letter no 5063 d 10 $\frac{3}{24}$ 7th Aug 2
and the same point is urged for recon-
sideration
9/9

11

of 1923

General and Revenue
Secretariat

File No.

162

172

Serial
No.

1/2 A copy of the printed correspondence required is submitted herewith vide page 7.

subd
taken
10/24
11/24
The correspondence re-
lates to the time of Sir K
Sheshadri Iyer. Please put up
those papers ~~and~~
11/24

2/2 The papers relating to the fund for the
Redemption of the English Railway Loan
of £12,00,000... are put up. -

subd
taken
11/24
11/24

G. R. S. III-2]

General and Revenue
Secretariat.

G.F. File No. 162

of 1923.

Serial
No.

Ref: Compton letter of 5/9/24 re Sinking Fund

21. In connection with some Sterling investments held on account of the Railway Sterling Loan Sinking Fund, the India Office raised the question that the Sinking Fund should be in Sterling and not in Rupee securities. We did not agree to this arrangement as the transfer to us of the whole of the Sinking Fund was itself under discussion at the time. Now that the corpus of the Fund is not to be made over to us, the Controller of the Currency has again written to our Comptroller stating that the Government of India would like to see that the Rupee part of the Sinking Fund is converted into Sterling securities. This suggestion is again the result of misconception on the part of the Secretary of State that as the guarantor of the loan he has some liability for ~~the discharge of the loan~~ ^{the discharge of the loan} ~~which he is answerable~~. The argument of the "contingent liability of the Government of India" ^{about} which we had so much correspondence in connection with ~~our~~ ^{Case} Sinking Fund has now taken this form.

32. Whether the Sinking Fund required for the Railway Sterling Loan should be in Rupee securities or in Sterling securities is a matter which should be decided entirely according to our interests and not according ^{to} what the Secretary of State ~~imagines~~ ^{imagines} to be his liability in regard to the Loan.

General and Revenue
Secretariat.

G.F. File No. 162

of 1923.

Serial
No.

23 The question now raised is not a new one. Very unpleasant correspondence about it ~~has~~ passed between the Government of Mysore and the Secretary of State in the past. The Secretary of State wanted to force Sir K. Seshadri Iyer to go in for sterling securities but he stoutly refused. The negotiations reached such a stage that Sir Seshadri Iyer had to state in unmistakable terms that if the decision was forced upon him, he would simply give effect to it, but, that the Secretary of State would have to hold himself responsible for the loss he would thereby be causing to the Government of Mysore. ~~✓~~ ^x Vide portion marked on page 14 of the printed collection. When this ^{view} ~~threat~~ was communicated, the Secretary of State climbed down and ~~agreed~~ agreed to permit the Government of Mysore to make investments in Rupee securities.

34 I do not understand why this point is raised again. For one thing, the Government of India cannot possibly expect us to part with our $3\frac{1}{2}$ p.c. Rupee paper when its market value is about two-thirds of its face value and invest the proceeds in Sterling securities for meeting a liability which may never arise. The value of money is gradually showing a tendency to go down and with the decline in the rate of interest, the capital value of securities

General and Revenue
Secretariat.

G.F. File No. 162

of 1923 .

Serial
No.

the time, and there will be no need for any money to discharge the old loan as most of the bond holder would tender their bonds as subscription to the new loan. If, at that time, the exchange factor is not adverse to us, we can even float a loan in India and from the proceeds, pay up what little of the sterling loan ^{may} ~~would~~ ^{then} remain unbought up by us ~~then~~.

39) The Controller of the Currency, under instructions of the Government of India, suggests that one part of the Sterling holding of the Sinking Fund viz., National War 5 p.c. 1928 bonds worth £23,273-7-3 may be exchanged on suitable terms for the Debenture stock which we now hold. I do not think even this exchange is now necessary. These National War bonds are, ~~and are~~ redeemable at premium in 1928 which is not far off and when the Government of Great Britain discharges this loan, we can then see whether it is desirable to invest the proceeds in Sterling securities or in Rupee securities, if the yield of the latter is more. In fact, we ought to go in for investments which yield more and which also are free from exchange uncertainties, in view of the fact that for a number of years to come, we are going to get the income of the Sinking Fund, and such income is best received in rupees. From this point of view, ^{the} ~~the~~ conversion

Serial
No.

conversion should be the other way ^{about} altogether; i.e. what part of ~~the~~ ^{are} Sterling Securities we now hold for the Sinking fund should rather be converted into Rupee securities instead of vice versa. ^P Of course, it is in our interests to buy up the stock of our Sterling Loan when its value is below par. With the rise in the Capital value of ~~the~~ Rupee securities, there will be a ~~corresponding~~ ^{Corresponding} increase in the similar value of Sterling securities including our own Debenture Stock. It is for taking advantage of the prevailing discount rates that we have made other arrangements to buy up such stock as is on offer in the London market. Very recently, the purchase of this Stock for another Rs. 10 lakhs has been authorised. The object of this arrangement is that if the bulk of the stock can be bought up by us, we ~~might be~~ ^{shall} be in a position to tell the Secretary of State that as the stock of our loan is coming into our custody, the need for the Sinking fund has disappeared and the corpus of ~~such~~ ^{the} fund which he has now refused to give to us, should be handed over to us.

40 In view of what is stated above, it is unnecessary to consider the proposal of the Government of India. I have put up the draft of a reply to the Comptroller containing a polite answer for communication

DEWANA OFFICE,

REGD. ON 17 SEP. 1924

Reg. No. 2966

Serial
No.

communication to the Controller of the Currency.

DEWANA.)

41 Paper distributed.
D.S. 10/11/24

42 Issue and put up D.S. 11

To the Controller

No. 1683 dated 19th Sept. 24.

With reference to S17 states that Govt do not
consider it necessary to convert the
Rupee Securities of the Railway Sterling
Securities loan sinking fund into the
Sterling securities and as regards the
question of exchanging national
war bonds of 1928 direct that the
govt may be considered when the bonds are
redeemed in 1928.

43 D.S. submitted for approval

note
Rev. 2
24

H.S. 11/11/24

44 11/11/24

45 11/11/24
27/9/24

46 11/11/24

105

Submitted to His Highness.

67) Some time back the India Office proposed that the Sinking Fund of our Railway Sterling loan should be invested in Sterling and not Rupee Securities as hitherto, and we replied that as the question of the transfer of the whole of the Sinking Fund to us was under correspondence, there was no need to consider the proposal. Now that it has been settled that the Fund will not be transferred to us but only the annual interest income thereon, the question of converting the Rupee Securities of the Sinking Fund into Sterling ones as opportunity offers has again been raised. For reasons stated in detail in the Financial Secretary's note of 16th September 1924, with which I agree, it is not necessary or desirable to consider the Government of India's proposal. The matter is also one which has been previously discussed and definitely settled. (Vide printed correspondence between Sir K. Seshadri Iyer and the Resident in this matter). The Comptroller, through whom this correspondence is now passing, has been asked to send a reply accordingly. I report the matter for the information of His Highness.

Camp Mysore, }
30th September 1924.)

[Signature]
✓ 30th 1924

J.N.

B.K.

Record of Cases submitted for the Orders
of His Highness the Maharaja.

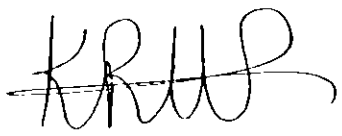
Subject.

Conversion of the Rupee Securities of the Railway Sterling Loan Sinking Fund into Sterling Securities.



238

Order.

49 
2/10/24

50 Manual Fee



100

Phon amge
to have them
before 10/10/24
16/10

51 File
mer
(2/10/24)
100

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

In reply please
refer to
No. 2424 S1

162-23-1
Comptroller's Office, Bangalore,

Dated the 2nd February 1924.

EV. S. Rajakaryaprasaktha
E.N. Krishna Rao, Esq., B.A.,
Financial Secretary to Govt. of Mysore,
Bangalore.

1924
Sir,

U
I have the honor to forward herewith a copy of letter No. Sec.
65/102-20 dated 17th January 1924, together with a copy of its en-
closure, received from the Controller of the Currency, the Treasury,
Calcutta, communicating the views of the Secretary of State and the
Government of India in regard to the proposals contained in your lett
No. Fl. 4284/G.F. 42-22-3 dated 15th March 1923, on the subject of the
Securities in which the interest realised from the Mysore Railway
Sterling

B
reply from
Residency
is invited.
Sterling Loan Sinking Fund may be invested. I have not discussed
the points raised in the letter as it is understood that this ^{ex} question
of utilisation of the Securities belonging to the Railway Debenture
Loan Sinking Fund for the purposes of the State is separately under
consideration.

I have the honor to be,
Sir,
Your most obedient servant,

I hereby certify that
Comptroller.

MSR/2-2

913
2/2/24.

debenture stock itself. It is regretted, however, that the information received from the India Office Broker and passed on to the Government of India in Mr. Kisch's d.o. letter of the 27th July 1922, to the effect that the greater part of the stock is held in India, was incorrect. Any purchases, therefore, except such as are made from the Durbar themselves would probably have to be made in the London market. There does not seem to be much dealing in the stock, and all that can be done is to pick up, if the price is suitable, the occasional parcels which come into the market. (It will have been observed from the Accountant-General's letter of 4th July 1923, that a further £5,500/- nominal has been acquired in this way since the original £5,000/- mentioned in Mr. Kisch's d.o. letter of 27th July 1922). The procedure suggested in paras 3 and 4 of the Durbar's letter of 27th March would probably not be workable in practice, as it seems to contemplate that, after it has been ascertained that none of the debentures can be immediately acquired in the market, reference should be made through the Government of India to the Durbar, who would then arrange for the delivery of the required amount of the stock by their London Agents; apart from the inconvenience of estimating the likely requirements so far ahead, it might easily happen that meanwhile the position had altered by a parcel of the stock coming on the market.

4. On the whole, it would seem to be best, as regards the interest accruing on the sterling securities, which is not at present a very large amount, to continue the present practice of investing it, when the debenture stock is not obtainable in the market, in British or Indian Government sterling Securities with fixed dates for redemption. In this connection, and in view of the possibility that at a future date portions of the rupee assets of the Fund may be transferred to this country for sterling investment, I am to invite attention to the fact that there are a number of British Colonial trustee securities with maturities nearly corresponding to that of the debenture stock which might on occasion be obtainable at prices giving a favourable yield, and to suggest that the Durbar's views might be obtained as to whether they would favour the holding in the Fund of a proportion

Copy of letter No.Sec.65/102-20 dated 17th January 1924, from the Controller of Currency, the Treasury, Calcutta, to the Comptroller to the Government of Mysore, Bangalore.

=====

In forwarding herewith extracts from the Secretary of State's letter No.F.3725/23 dated the 12th September 1923 to the Government of India in the Finance Department in connection with the proposals made in your letter No.Sl.4469 dated the 27th March 1923 to my address, I have the honor to state for the information of the Mysore Darbar that the Secretary of State has agreed to the periodical remittance to him through the accounts of the Government of India, of some or all of the interest accruing on the rupee securities of the Sinking Fund for investment in the Madras and Southern Mahratta Railway Debentures stock or in other Indian Sterling stocks. I now request you to communicate to me the views of the Darbar on the points raised in the enclosed extracts of the India Office letter to enable me to submit a report to the Government of India.

2. As to para 7 of your letter of the 27th March 1923, a reference is invited to my letter No.Sec./38, dated the 10th January 1924 with which a copy of the detailed statement of transactions of the sterling portion of the Fund for the period from 1st July 1922 to 30th June 1923, including the amount of £5,000/- in question has been forwarded to you.

3. The favour of an early reply is requested.

=====

Extracts of letter No.F.3725/23 from the Secretary of State, India Office, London, dated the 12th September 1923 to the Government of India in the Finance Department.

=====

X X X X X X

As regards the choice of investments, it is noted that the Darbar are favourable to the proposal to invest when possible in the
debenture

proportion of suitable securities of this kind.

5. As regards the Mysore Government's holding of the debenture bonds, which is understood to be considerable, perhaps the Durbar would consider, independently of the question of investment of interest, whether it might be advantageous (assuming that the debentures are not being held with some other aim in view) to transfer them, either by degrees or en bloc to the Fund and receive in exchange an equivalent value in the rupee securities at present held on account of the Fund. If this were done, there might be some advantage in fixing a special price, in the case of a stock of this kind, in which there are comparatively few transactions, and whose quoted market price may accordingly not always reflect its true value. But there are obvious objections to fixing in advance a uniform price from which the value of the stock may have considerably diverged at the actual time of the transactions to which it is applied, and it would probably be preferable to agree an appropriate price as each transaction comes to be carried out. As regards the rate of exchange to be applied, the Secretary of State agrees with the Government of India's view that the Calcutta Telegraphic Transfer rate of the day should be used rather than an arbitrary fixed rate.

X X X X . X X

=====

Superintend

Superintendent, Records Section,
Comptroller's Office.

MSR/2-2

213
2/2/24.

Fair Draft.

26

No 5063 /
G.7 16223.2

dated 10.3.26

To

The Comptroller,
Mysore Government.

Sir,

With reference to your letter No.2424-S.L.dated 2nd February 1924 forwarding copy of letter No.Sec.65/102-20 of the 17th January 1924 addressed to you by - the Controller of ^{the} Currency in regard to the Securities in which the interest - realised from the Mysore Sterling Railway Loan Sinking Fund may be invested, I am

directed to state as follows ^{and to request}
^{you to communicate the same to the Controller of Currency}
(1) The Sterling part of the investment -

on account of the Sinking Fund is small, the annual yield on that investment being only about £ 4000/- . This amount may be invested by the India Office in our own debentures if they can be had as soon as the interest is available for investment. If they are not readily available in the market, the India Office may be requested to apply to Messrs.Coutts & Co., for the stock required.

It was not proposed
that the interest
yield of the Rupee part
of the investment
held in India should,
as a matter of course,
be remitted to London
for investment in the
loan debentures
themselves

(2) The investment of the interest yield of the Rupee part of the Sinking Fund may be made in India in long term ^{redeemable} terminable - Rupee Securities. ~~It is also desirable to have a general arrangement for buying -~~

P.T.O.

27
the Loan debentures themselves if they are on offer for sale in the London market. Messrs. Coutts & Co may be authorised to purchase these debentures and the purchases may be limited to Rs.5 lakhs per annum which is the amount of the interest realised every year on the Sinking Fund investment. ^{So that} These debentures may be transferred to the Sinking Fund for investment of its interest when such an arrangement is found convenient.

~~The arrangement~~

The question of
investing the yield
of the Rupee investment
in the Loan Debentures
will be considered
when such an arrangement
is found convenient.

(3) The India Office do not agree to the arrangement proposed to simplify the transaction relating to the transfer of debentures held by us for investment of the interest yield of the Sinking Fund and this point need not be pressed in view of the separate arrangements proposed to be adopted for investment of the interest yield of the Rupee part of the Sinking Fund in India (Vide (2) above.)

(4) There is no need for the investment suggested by the India office, in Sterling Securities other than our loan debentures, and the India Office may be informed accordingly.

(5) It is not necessary to consider the proposal of the India Office to transfer ^{held by us} the stock of our holding in the Loan debentures to the Sinking Fund and take ^{in exchange} the Rupee Securities held as part of the Fund, as the question of taking the whole of the Sinking Fund for Capital purposes is now under consideration.

2. I am to request you to ~~communicate the~~ ^{authorise Messrs Coutts & Co} ~~above in reply to the Controller of -~~
~~Currency's letter. Messrs Coutts & Co may be~~

28
at current market rates

authorised to transfer ^{the loan} ~~the~~ 1926 debentures with them on application to the India - Office for investment of the yield on the Sterling part of the investment in accordance with Para 1 (1) above and credit proceeds to the Government account with them. The question of re-investing the sale proceeds may be considered ^{by you in the usual course} as part of the general - ^{in India} annual investment operations. Arrangements may also

be made to place an order with Messrs. Coutts and Co., to purchase the debentures of the Loan at the most favourable rates available, subject to a maximum rate of 76 per cent - ^{Value} off the face of the debentures and to a maximum limit of Rs. 5,00,000 per annum ^{for one year in the first instance} so as to be available for transfer to the Sinking Fund for investment of the yield of the Rupee investment whenever such a course is considered necessary (vide para 1(2)).

A The Controller of ^{the} Currency has not expressed any opinion on the suggestion that for preventing delay in the investment of the interest realised on the Fund, the 3½% Securities may be converted into a single stock. ^{If a single issue} The settlement of this point may kindly be pursued.

I have etc.,

mm 8/3/24

Financial Secretary to Govt.

7-3-24
mk.

3. It is desirable to have a formal arrangement for buying the loan debentures if they are on offer for sale in the London market

2848

30743

3651

C. O. 46—R

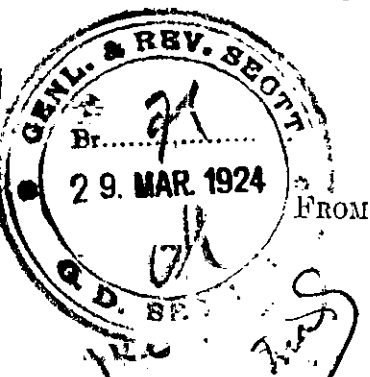
WD 0103—GPB—10,000—29—28—21

Please address all future communications
to the Comptroller to the Govt. of H. H.
the Maharaja of Mysore.
In reply to this Comm. please refer to

No 3425 S1

OFFICE OF THE COMPTROLLER TO THE
GOVERNMENT OF HIS HIGHNESS THE
MAHARAJA OF MYSORE.

Dated, Bangalore, the 27th Mar. 1924



T. SATYARAJ CHETTY Esq., B.A.,

Comptroller to the Government of

His Highness the Maharaja of Mysore.

To

Rajakaryaprāsaktha
M. N. Krishna Rao, Esq., B.A.,
Financial Secretary to the Govt. of Mysore,
Bangalore.

Sir,

Adverting to your letter No. F1.5063 G.F.162-23-2 dated 10th March 1924, communicating the views of the Government in regard to the points raised by the Secretary of State for India in connection with the investment of the interest yield from the Securities sterling and rupee, held in the Mysore Railway Debenture Loan Sinking Fund, I have the honor to state that the Controller of Currency has been addressed in the matter and the views of the Government of India and the Secretary of State will be intimated for the information of Government, on receipt of the same from the Controller of Currency.

As regards the transfer from the holding of the Debenture stock with Messrs. Coutts and Co., on application from the India Office, as also the arrangements to be made to purchase the said stock in the London Market to the extent of 5 lacs of rupees, Messrs. Coutts and Co., have been written to specifying the conditions mentioned in your letter under reference.

In regard to the conversion of the 3½% Securities of the
different

different issues into those of one issue, it has been effected during 1922-23 and the 3½% Government of India Securities now held are all of the 1865 issue.

I have the honor to be,
Sir,
Your most obedient servant, .

J. Satyanarayana
Comptroller.

MSR/27-3

EB
27.8

3672

G.2.162.23-49.448

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

In reply please
refer to

No. 4048 SL

Ef-one

Comptroller's Office, Bangalore,

Dated the 19th May 1924

The Secretary to the
Government of Mysore,
Financial Department,
Bangalore.

7C
1 MAY 1924
Sir,

In continuation of this office letter No.3425/SL dated 26th March 1924, I have the honour to forward herewith a copy of the letter dated 15th April 1924 from Messrs. Coutts & Co., noting our instructions in regard to the transfer to the India Office, as required, Madras & Southern Mahratta Railway Sterling Debentures in their custody and in regard to the purchase of the said debentures to the extent of 5 lakhs of

3 2
of rupees per annum in the London Market.

I have the honor to be,
Sir,
Your most obedient servant,

R. Srinangarayan
For offg. Comptroller.

CV


33

Letter No. nil dated 15th April 1924 from Messrs. Coutts & Co.
London, to the Comptroller in Mysore, Bangalore.

=====

We are favoured with your letter No.3424 S.L. dated the 26th ultimo and we note your instructions to hand to the India Office, Madras and Southern Mahabatta Railway Sterling Debentures held by us on account of the Mysore Government, to the extent required against payment at the market rate of the day. The proceeds shall be credited to the account under advice.

We have passed to our Brokers your order to purchase Madras and Southern Mahratta Railway Debentures to the extent of Rs 5,00,000 per annum subject to a maximum rate of 76% and we shall be writing to you again on the subject in due course.

" Copy "

M. S. R. Raj

Supdt., Comptroller's Office, Records Section

CV/19-5

ad

37749

34

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

In reply please
refer to

No. 4180-S1

Q 4760

C. 72
n

Comptroller's Office, Bangalore,

Dated the 8th June 1924.

Rajakaryaprasaktha

M. N. Krishna Rao, Esq., B.A.,

Financial Secretary to the Govt. of Mysore,
Bangalore.

4.7.16 7-23-5

72
7th JUN 1924

With reference to correspondence ending with this office letter No. 4048/S1 dated 20th May 1924, I have the honor to forward herewith a copy of the letter No. Sec. 612/102-20 dated 28th May 1924 from the Controller of the Currency for your information and a copy of my reply thereto.

Para 3 of my letter referred to in the Controller of the Currency's letter relates to the proposal to invest the interest yield of the

rupee

35

rupee part of the Sinking Fund in India in long term redeemable Rupee Securities, vide sub para (2) of your letter No.F1.5063 G.F.162-23-2 dated 10th March 1924.

I have the honor to be,
Sir,
Your most obedient servant;

J. Subramanyam
Comptroller.

MSR/6-6



GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

In reply please
refer to
No. 4179 Sl

36
Comptroller's Office, Bangalore,

Dated the 6th June 1924.

The Controller of the Currency,
The Treasury, Calcutta.

Sir,

With reference to your letter No. Sec. 612/102-20 dated the 28th May 1924, I have the honor to inform you that instructions have been issued to Messrs. Coutts and Co., London, to transfer Madras and Southern Mahratta Railway Sterling Debenture Stock to the Secretary of State for India, on demand and to the extent required, against payment at the market rate of the day.

I am communicating the reply contained in para 2 of your letter
in

Copy of letter No.Sec.612/102-20 dated 28th May 1924,
from the Controller of the Currency, Calcutta, to the
Comptroller to the Government of Mysore, Bangalore.

=====

With reference to your letter No.3361 Sl of the 24th
March 1924 I have the honor to request that, as proposed by
you in para 2 of your letter, standing instructions may be
issued by the Durbar to Messrs. Coutts and Co., London, to
transfer Debenture Stock to the Secretary of State for India
on demand when they are not readily available in the market.
An intimation may kindly be sent to this office when these
instructions have been issued.

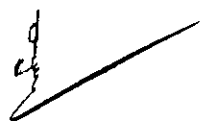
2. The proposal contained in para 3 of your letter
is unfortunately unacceptable, as a rupee sinking fund to
meet a sterling debt is unsatisfactory in principle, and
the Government of India do not wish to increase it further.
If it is eventually decided that it is to be used for capital
expenditure, the question, of course, will not arise.

=====



Superintendent, Records Section
Comptroller's Office.

MSR/6-6



in regard to the investment of the interest accruing on the Rupee Securities of the Sinking Fund Investments to the Government of His Highness.

I have the honor to be,
Sir,
Your most obedient servant,

(Sd) T. Satyanaraj Chetty.

Comptroller.

MSR/C-6

13542

W. 9257
67.462.23-7
Mc
31

C. O. 46—R

WD 0103—GPB—10,000—29—8—21

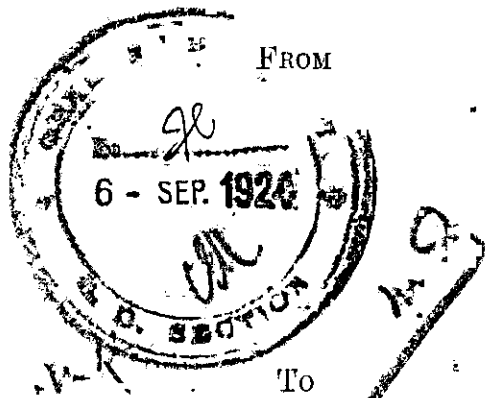
Please address all future communications
to the Comptroller to the Govt. of H. H.
the Maharaja of Mysore.
In reply to this Comm. please refer to

No. 779 Sl *encl. one.*

OFFICE OF THE COMPTROLLER TO THE
GOVERNMENT OF HIS HIGHNESS THE
MAHARAJA OF MYSORE.

Dated, Bangalore, the 5th Sept. 1924

FROM



T. SATYARAJ CHETTY Esq., B. A.,

Comptroller to the Government of

His Highness the Maharaja of Mysore.

To

Rajakaryaprasaktha

M. N. Krishna Rao, Esq., B. A.,

Financial Secretary to the Govt. of Mysore,
Bangalore.

SIR,

In forwarding herewith a copy of letter No. Sec. 950/102-20 dated 25th August 1924, received from the Controller of the Currency, regarding the question of replacement of the sterling securities other than the Madras and Southern Mahratta Railway Debenture Stock, and the rupee securities now held in the Railway Sinking Fund by the Debenture Stock itself, I have the honor to request that orders of Government on the points raised by the Controller of the Currency may be kindly obtained at an early date and communicated to me.

2. The Controller of the Currency suggests that £23,273-7-2 of National War Bonds 1928 now held in the Sinking Fund might be replaced by Debenture Stock. These war bonds mature in September 1928 and are selling at a premium and the purchases are made by Messrs. Coutts and Co of the Debenture Stock at 76 to 77. It therefore seems advantageous to replace the war bonds by Debenture stock. The details of the Sterling portion of the Sinking Fund on 30th June 1924 were as

follows:-

follows:-

National War 5% 1st September 1928 Bonds	£23,273- 7- 3 ✓
M.&S.M.4% Debenture Stock Irredeemable till 1st March 1936. ...	£20,497- 0- 0 ✓
India 5½% Stock 1932 ...	£19,062- 6- 4 ✓
Bombay City Improvement Trust(a) 4% Debenture 1969-70 ...	£31,300- 0- 0 ✓
(a) sold by the Mysore State.	=====
	£94,132-13- 7 ✓
	=====

3. In para 2 of his letter, the Controller of the Currency again insists on the Rupee Securities held as part of the Sinking Fund being transferred on suitable terms in exchange either wholly or in part for our holding of Debenture Stock. Until we know what the terms will be it will not be possible to say whether this would be advantageous to us. In your letter No.5063/G.F.162-23-22 dated the 10th March 1924, you communicated the orders of Government to the effect that it was not necessary to take in exchange the Rupee Securities held as part of the Fund, as the question of taking the whole of the Sinking Fund for capital purposes was under consideration at the time. As the question has now been decided otherwise, it is a point for orders whether the proposal made by the Controller of the Currency may not be accepted at least in respect of some rupee securities.

From the latest account received from the Controller of the Currency the face value of the rupee securities held in the fund under the several loans stood on 30th June 1924 as shown in the margin.

3 per cent 1896-97.	10,66,100 ✓
3½ do 1865	1,05,02,700 ✓
4 do 1916-17	3,50,000 ✓
5 do 1929-47	1,00,000 ✓
Madras Municipal Debentures ...	3,00,000 ✓
Total	=====
	1,23,18,800 ✓
	=====

I have the honor to be,
Sir,

Your most obedient servant,

J. Satyanarayana

Comptroller.

9/8

Copy of letter No.Sec.950/102-20 dated 25th August 1924, from the Controller of the Currency, Calcutta, to the Comptroller to the Government of Mysore, Bangalore.

=====

I have the honor to refer to the correspondence ending with your letter No.4179 Sl of the 6th June 1924 and to say that as the interest on the Sinking Fund is now to be transferred to the Durbar until further notice, the question of purchasing Madras and Southern Mahratta Railway Debenture stock by the Secretary of State out of the interest in that Fund, does not arise. The Secretary of State, however, considers it desirable that the assets of the Sinking Fund should consist to as large an extent as possible of the debenture stock itself and would like to purchase your holdings of that stock in London on behalf of the Fund if suitable arrangements can be reached. Your stock could either be taken over against cash realised by the sale of some of the sterling securities held in the Fund at present or the securities might themselves be exchanged on a price basis agreed between the India Office and the Durbar's bankers in London. He suggests as a concrete instance that £23,273-7-3 of National War bonds 1928 now held in the Sinking Fund might be replaced by debenture stock. I should be obliged if you would consult the Durbar and say whether they are prepared to transfer their stock if suitable terms can be arranged.

2. In this connection I would refer to the suggestion put to you in my letter No.Sec.65/102-20 dated the 17th January 1924, that the rupee securities held as part of the Sinking Fund might be transferred on suitable terms in exchange either wholly or in part for the Durbar's holding of debenture stock. This suggestion was negatived by the Durbar in the last para of their letter No.CO.33C1 Sl of the 24th March 1924. It is, however, obviously undesirable

u✓
undesirable that a Sinking Fund for sterling debt should be held in the form of rupee securities and I am dosired by the Government of India to request you to ask the Durbar whether they are prepared to reconsider their decision. If they do not wish to exchange their debenture holdings for rupee securities they might still be asked to signify their assent to the proposition that these rupee securities should be converted as opportunity offers into sterling. I should be obliged if you would let me have an early reply to this reference.

=====


Superintendent, Records Section,
Comptroller's Office.

MSR/5-9

W.L.

Please keep this in the stock. Debiture purchase file
14
7.10.24
mg

OFFICE OF THE COMPTROLLER IN MYSORE,

D. O. No. SL.1126. Enclure.

Bangalore, dated 3rd October 1924

My dear Sir,

With reference to the terms of the purchase of Madras and Southern Mahratta Railway 4% Debenture stock 1936 which you had asked me in person to ascertain from Messrs. Coutts & Co., I send herewith for your information a copy of letter No.GH.17 dated 11th September 1924 together with a copy of its enclosure received from the Bankers.

Yours sincerely,

J. Satya Raj Reddy

Rajakaryaprasaktha

M.N.KrishnaRao Esq., B.A.,

Secretary to the Government of Mysore,

Financial Department.

25

Letter No.GH.17 dated 11th September 24 from Messrs.Coutts & Co., London to the Comptroller of Mysore, Bangalore.

We are favoured with your letter of the 19th ultimo, and, as desired, we have instructed our Brokers to reinstate your order to purchase Madras and Southern Mharatta Railway 4% Debenture Stock 1936, and to give preference to the purchase of this Stock over the 1938 issue, although our Brokers are to buy either of the Stocks, should any come into the market at your limit.

As desired we have pleasure in enclosing a memorandum written by our Brokers, giving the details of the terms of issue of both the 1926 and 1938 Debenture Stocks, which we trust will give the information you require.

XXXXXXXXXXXXXXXXXXXXX

Madras and Southern Mahratta Railway 4% Debenture Stock
1936 & 1938.

The 4% Debenture Stock ~~1936 was originally issued~~ as Southern Mahratta Railway 4% bonds by Messrs.Baring Brothers in the year 1886, price 104½. The prospectus merely states that the bonds were to be irredeemable for fifty years and makes no further statement as to eventual repayment. Judging by similar phraseology in other issues, this Stock would appear to be irredeemable except at the option of the Company.

The 1938 Stock was issued in April 1913 by the Bank of England. The prospectus gives considerably more details than the 1936 prospectus, the wording being as follows :-

"The payment of interest and of principal (when notice of redemption is given) is guaranteed by the Secretary of State for India in Council under contracts dated the 26th day of June 1908 and letter dated the 22nd day of April 1913.

"The Register of the Debenture Stock will be kept at the offices of the Company, 91 York Street, Westminster, S.W., and the stock will be registered in multiples of £1 in the names specified in the requests made for that purpose"

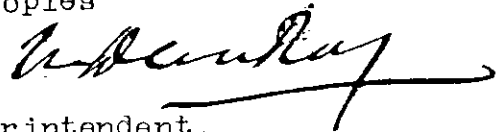
"The Debenture Stock will bear interest at the rate of £4 per cent per annum payable half yearly on the 1st April and 1st October the first half-year's interest being due on the 1st October next

The interest on the Debenture Stock will be paid by warrant transmitted by post.

"The Stock may be redeemed at par on, or at any time after 1st October 1938, upon 12 calendar months' previous notice being given, by the Company with the previous consent of the Secretary of State for India in Council, if at the time the Company's contracts with him for the working of the undertaking shall have terminated. *or by the Secretary of State for India*

"It is provided by the contracts between the Secretary of State and the Company that, if the Secretary of State determines the existing working arrangements and takes possession of the undertaking of the Company, he shall be deemed to stand in the place of the Company so far as regards its liability on the stock, and that thereupon the Company shall be discharged from all liability to the holders."

"Copies"



Superintendent,
Record Section,
Comptroller's Office.

